

OUTGOING TELEGRAM
DEPARTMENT OF STATE

FORM DS 322-OCR3

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EB/ORF/FSE:GSBROWN:CJR
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EB/ORF/FSE - MR. BENNSKY

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DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY g DATE 12/17/73

RDSE ☐ XDS ☐ TEXT DATE _____

TS. AUTH. _____ REASON(S) _____

ENDORSE EXISTING MARKINGS ☐

DECLASSIFIED ☐ RELEASABLE ☒

RELEASE DENIED ☐

PA. or FOI EXEMPTIONS _____

SUBJECT: PARTICIPATION NEGOTIATIONS

1. NEW YORK TIMES OF FEBRUARY 4 RAN ARTICLE STATING THAT OASIS GROUP HAD REACHED AGREEMENT ON PARTICIPATION WITH LARG ALONG LINES OF GULF SETTLEMENT, I.E. 25 PERCENT IMMEDIATE PARTICIPATION BUILDING TO 51 PERCENT IN 1983. ARTICLE BASED ON MEES ARTICLE FROM BEIRUT. COMPANY SOURCES HERE BELIEVE THAT STORY WAS PROMPTED BY SPECULATION {ACCURATE} THAT COMPANIES WOULD TABLE PARTICIPATION PROPOSAL ALONG THOSE LINES. COMPANIES DENY THAT ANY SPECIFIC PROPOSALS YET PUT FORWARD.

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2. ACCORDING TO COMPANY SOURCES, JANUARY 31 MEETING BETWEEN MABRUK AND SHAFER OF CONOCO, AS OASIS SPOKESMAN, RELATIVELY INCONCLUSIVE. MABRUK URGED OASIS TO MOVE QUICKLY, SAID JALLUD WOULD BE FOLLOWING NEGOTIATIONS CLOSELY THOUGH HE CURRENTLY BUSY ON OTHER MATTERS. NOTED THAT LARG EXPECTED ANY AGREEMENT REACHED TO BE RETROACTIVE TO 1 JANUARY, AND SAID LARG WANTED AGIP TERMS BUT THAT COMPANIES WOULD BE ABLE TO GET BACK MOST OF OIL AT "NO LOSS". SHAFER ANSWERED THAT COMPANIES ACCEPTED PRINCIPLE OF EVENTUAL 50-51 PERCENT PARTICIPATION BUT THAT EVOLUTION TO THAT STATE HAD TO BE PHASED IN ORDER TO KEEP MANPOWER PROBLEMS AND COST DISADVANTAGES OF LIBYAN OIL MINIMAL: THAT COMPANIES COULD NOT ACCEPT RETROACTIVITY AND THOUGHT THAT COMPLEX NEGOTIATIONS

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Continuation Sheet,

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WOULD TAKE SOME TIME; THAT COMPANIES NEEDED LONG-TERM AND FIRM COMMITMENTS ON OIL BUY-BACK RATHER THAN OBLIGATION TO TAKE WHATEVER LARG COULD NOT SELL, AND THAT COMPENSATION HAD TO HAVE SOME RELATIONSHIP TO FAIR REPLACEMENT VALUE EVEN THOUGH COMPANIES RECOGNIZED THAT LARG WOULD NOT BE NORMAL COMMERCIAL BUYER.

3. AT END OF MEETING, SHAFER ASKED MABRUK WHAT NEXT STEP SHOULD BE. MABRUK SAID THAT COMPANIES SHOULD PUT TOGETHER INFORMATION ON THEIR EXPLORATION COSTS PRIOR TO DISCOVERY, AND THEN CHECK BACK. WE ASKED COMPANIES FOR THEIR READING OF THIS REQUEST: WAS MABRUK SIGNALLING LARG INTENTIONS TOWARD COMPENSATION? COMPANY SOURCE SAID THEY UNSURE, AND HAD NO COMMENTARY FROM SCHAFER ON THIS POINT; PERHAPS HE HAD BEEN AFRAID TO SOUND OUT MABRUK AT THIS INITIAL STAGE.

4. SHAFER HAS REQUESTED APPOINTMENT TO PRESENT INFORMATION REQUESTED BY MABRUK, BUT HAS NOT YET BEEN GIVEN DATE.

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